UNITED STATES DISTRICT COURT FOR THE WESTERN DISTRICT OF PENNSYLVANIA

DELAWARE MARKETING)	
PARTNERS, LLC, a Delaware)	
limited liability company,)	
Plaintiff)	C.A. No.: 04 - CV - 263
)	
v.)	
)	
CREDITRON FINANCIAL SERVICES,)	
INC., a Pennsylvania corporation, and)	
TELATRON MARKETING GROUP,)	
INC., a Pennsylvania corporation,)	
Defendants)	

<u>DEFENDANTS' APPENDIX IN OPPOSITION TO</u> <u>PLAINTIFF'S MOTION FOR SUMMARY JUDGMENT</u>

Respectfully submitted,

ELDERKIN, MARTIN, KELLY & MESSINA

By /s/ Craig A. Markham, Esq.

Craig A. Markham, Esquire Attorney for Defendants 150 East Eighth Street Erie, Pennsylvania 16501 (814) 456-4000

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1	IN THE UNITED STATES DISTRICT COURT FOR THE WESTERN DISTRICT OF PENNSYLVANIA
2	
3	DELAWARE MARKETING PARTNERS, LLC, : a Delaware limited liability company, : Plaintiff :
4	: Case No. 04-263 Erie
5	: CREDITRON FINANCIAL SERVICES, INC., :
6	a Pennsylvania corporation, and : TELATRON MARKETING GROUP, INC., :
7	a Pennsylvania corporation, Defendants
8	
9	Deposition of TRISHA DESANTI-BOEHM, taken
10	before and by Sondra A. Black, Notary Public in and for the Commonwealth of Pennsylvania, on
11	Wednesday, May 24, 2006, commencing at 9:32 a.m., at the offices of Elderkin Martin Kelly & Messina,
12	150 East Eighth Street, Erie, Pennsylvania 16501.
13	
14	For the Plaintiff:
15	Charles Snyderman, Esquire Charles Snyderman, PA
16	Stoney Batter Office Building
17	5301 Limestone Road, Suite 214 Wilmington, DE 19808
18	Douglas M. Grimsley, Esquire
19	Dickie McCamey & Chilcote, P.C. Two PPG Place, Suite 400
20	Pittsburgh, PA 15222-5402
21	For the Defendants:
22	Craig A. Markham, Esquire Elderkin Martin Kelly & Messina
23	150 East Eighth Street Erie, PA 16501
24	
25	Reported by Sondra A. Black Ferguson & Holdnack Reporting, Inc.
	EXHIBIT

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- A. It does sound familiar to me, and that would be -that would be the disbursement rosters that Brazos used to
 create their payments to us, but that's not actually the
 document I'm talking about.
- Q. Then I see a document that says, "64 borrowers and then a dollar amount; total disbursed; a dollar amount, non-Brazos; a dollar amount, Brazos; an amount for AB, it looks like maybe one or I, and then a premium; and then a percentage of non-Brazos; then there's reduced premium; full premium rate times percentage non-Brazos.
 - A. That's the document.
 - Q. That's the wire transfer document?
 - A. Yeah.

- Q. Then someone wrote ".50 LOC." Do you know what that might refer to?
 - A. No. I have no idea.
- Q. But you weren't, in your role, writing anything on these wire forms, correct?
- A. Correct. The only time I saw them was in compiling discovery.
- Q. Good enough. Thank you. Paragraph 7 of the Complaint states, "On September 1, 2002, the parties entered into a Student Loan Origination and Marketing Agreement whereby the parties agreed to work together to perform student loan acquisition services." And the answer to the

Complaint, Paragraph 7, says, "Denied as stated. The Student Loan Origination and Marketing Agreement was signed by the parties in February 2003," and it has some legal stuff like the agreement speaks for itself. Then there's a sentence that says, "It is admitted that the Plaintiff was hired to perform certain specified services for the Defendant." Do you know what those certain specified services were?

A. Yes.

- Q. Did you say yes?
- A. Yes.
- Q. Would you please describe them for me.
- A. List acquisition analysis, direct marketing campaigns, advertise for the ALC program.
 - Q. Anything else?
 - A. No. That was primarily all.
- Q. Is there any document, other than the Student Loan Origination and Marketing Agreement, along with any exhibits attached to it, that would describe these services that you've just listed?
- A. There's no other contracts, but there was a letter from August 20th of 2002 to Delaware Marketing that I think outlined that. But there was no other contractual agreements.
- Q. Is the August 20, 2002 letter a letter signed by AD Cavotto, CEO?

- A. That's correct.
- Q. Are there any other documents, other than the August 20, 2002 letter and the Student Loan Origination and Marketing Agreement, that would refer to or describe the services to be provided by Delaware Marketing Partners?
 - A. I don't think so.
- Q. In the Answer to the Complaint, in Paragraph 7, the sentence, "It is admitted that the Plaintiff was hired to perform certain specified services for the Defendants." Do you have any understanding of the word "hired" and what it means?
- A. That they were to perform certain services and we would give them a portion of the revenue for performing those services.
- Q. Paragraph 8 of the Answer states, "It is denied that Plaintiff fulfilled all of its obligations and duties." To your knowledge, are the obligations and duties which it's alleged that the Plaintiff failed to fulfill the obligations and duties that are listed in the Student Loan Origination and Marketing Agreement?
 - A. The agreement and the corresponding exhibit, yes.
- Q. Let's take them one by one. Please tell me what obligation and duty the Plaintiff had that it failed to fulfill.
 - MR. MARKHAM: You're speaking about her knowledge

of this, right?

MR. SNYDERMAN: I couldn't ask for anybody else. Absolutely.

A. I guess the easiest way to start it is -MR. GRIMSLEY: If we're going to show documents, at
least discuss it with counsel on the phone.
MR. MARKHAM: Wait a minute. We're going to show

MR. SNYDERMAN: That's fine.

her the contract and exhibit.

A. I guess I'll start with the exhibit. Prospect lead acquisition, it's true that they gave us leads. Our concern was that, beginning in April of 2003, the quality of those leads began to diminish. Additionally, as we hit around the September, October, November, December time frame, the quality of the leads deteriorated quite rapidly and quite significantly. So that would have been one issue.

Second was the direct mail campaigns. We did two direct mail campaigns, neither of which came anywhere near the target that was projected to us. So, of course, that was an issue. As was the fact that there was no other direct marketing initiatives that took place after that.

There's also a discussion of credit bureau relationships. I guess that was done.

Analyst recommendations, I'm not really sure what was done on this end. Nothing that we see, I guess.

The marketing plan and recommendations, I guess they gave some of those, and we took them.

Marketing management assignments, I don't believe we gave them anything else, other than they were to engage in -- engage in advertising on behalf of the Academic Lending

Center program, which never occurred.

And I just want to look at the contract really quick. I guess that would be it in a nutshell.

- Q. With respect to the prospect lead acquisition that you mentioned -- again, I want to make sure that I heard you correctly -- did you say that it was April of 2003 when the quality of the leads began to diminish?
- A. That's correct. And I guess I should clarify that. April 2003 more so as, I guess, the quality of leads diminished. What I'm talking about there is the fact that the number of leads that we were receiving from Delaware Marketing versus the number of leads that we were actually able to use from what we received continued to diminish. In the beginning months, the first few buys we were able to use 90, 95 percent of those leads, and in April, I think we dropped down significantly to about 50 percent of the leads they had provided to us were not able to be used.
 - Q. Why were they not able to be used?
- A. A lot of them were duplicates. Meaning, we had already had them, contacted them before, and gotten a

Well, if I look at the -- I have no idea what they 1 Α. were paid in the month of October off the top of my head. I 2 mean, if I look at this spreadsheet, I can assume that they 3 weren't, but I know the spreadsheet is not accurate. So I'm 4 not going to use that for my basis. 5 I'm going to ask Douglas to hand you what's been 6 0. stamped Page 249. Let me know when you have that. 7 8 Α. I have it. Does that help you answer the question? 9 Q. It does. 10 Α. What's the answer to the question? 11 Q. They were not paid anything in October. 12 Α. Do you know why? 13 Q. I don't. 14 Α. Do you know what work and services that Delaware 15 Q. Marketing Partners was obligated to perform as a condition 16 precedent to their receiving 28.5 percent of the funds that 17 Academic Lending Center received in October of 2002? 18

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- A. It would have been the items that I had previously identified.
- Q. Are you testifying that they had not adequately performed as of October of 2002?
- A. I'm testifying that I don't know the reason the decision was made not to pay them. I can assume it was because we received \$5,000 and our cost for payroll was more

ANSWER:

The Defendants have not yet determined the documents and/or writings which will be produced at the time of trial in support of any allegation made in the counterclaim. However, the Defendants may offer any of the source documents which have been produced herewith, including but not limited to the tape dump reports and the production reports.

10. Provide a detailed explanation of the calculations which support your demand for \$16,288,863.00.

ANSWER:

From March, 2003 through December, 2003, the Plaintiff had promised to make and should have made a total of ten mailings with each generating gross revenues of approximately \$1,977,025.00 for total combined gross revenues of approximately \$19,770,250.00. Defendants' net gross revenues, after paying Plaintiff 28.57%, would have been approximately \$14,121,889.00. Instead, Plaintiff's mailings produced gross revenues calculated as only approximately \$479,484.00 (\$326,604.00 + \$152,880.00) during this period of time. Of this amount, Defendants' net revenue after paying Plaintiff would be approximately \$342,495.00. Thus, Defendants lost approximately \$13,779,394.00 in combined net revenues for all of the promised mailings.

The Plaintiff also breached its promises and obligations with regard to the quality of the telemarketing lists by providing to Defendants deficient lists of poor quality such that the usable names and telephone numbers declined from a pre-contract average of approximately 95% to a post-contract result of 53.3% for the list supplied in April, 52.9% for the list supplied in May, 57.5% for the list supplied in July, 70% for the list supplied in August, 35.2% for the list supplied in September, 66.8% for the list supplied in October and 40.5% for the list supplied in December, 2003. If the quality of these lists supplied by Plaintiff were of the same as they were in the pre-contract time frame, the gross revenues from these lists would have been in the combined total of approximately \$7,903,633.00. Defendants' net revenues, after paying Plaintiff, would then have been approximately \$5,645,565.00. In contrast, as a result of the substantial drop in usable names, the actual combined revenue of these lists is calculated to have been approximately \$4,390,446.00 resulting in a deficit of approximately \$3,513,187.00 in gross revenues. Of this deficit, Defendants lost approximately \$2,509,469.50 in expected net revenues after deducting the percentage which would have been payable to Plaintiff.

EXHIBIT

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The total losses, therefore, is the sum of \$2,509,469.50 and \$13,779,394.00, which is \$16,288,863.50.

Describe with particularity the proprietary and confidential information of the 11. Defendants which you allege in paragraph 15 of the Counterclaim Plaintiff disclosed and/or provided to others.

ANSWER:

Business operations, processes and procedures; Lists procured for purposes of telemarketing and/or mail campaigns and the analysis of these lists and the selection criteria used to secure the lists.

Prior to signing the contract with the Plaintiff, did the Defendants create or 12. receive any written projections of the expenses they would or might incur and/or the revenues that would or might be generated by the telemarketing calls to the individuals whose names and telephone numbers would be provided by the Plaintiff? If your answer to this interrogatory is "yes," please produce all documents which contain these written projections. If you no longer have these documents, state what happened to them..

ANSWER:

Other than the documents identified in response to interrogatory number 1, the Defendants are aware of no other records or writings. During one or more of the meetings held in Erie, PA, Plaintiff provided such projections and used a chalk board to illustrate the same.

13. With regard to each list of names provided by the Plaintiff, as well as the individual names on such lists, state precisely what activity you tracked from the time you received the names until the final disposition of these lists and individuals. By way of explanation, this interrogatory is intended to determine whether you kept track of the activity as to each individual, or whether you kept track of activity for an entire list. This Interrogatory is further intended to determine the information you tracked, such things as the date you received the name, the date and time you called the individual, the name of the employee who made the call, the results of the call, the mailing of an application, follow-up calls, receipt of a signed application, the loan application process, approval of the loan, funding of the loan, receipt of payment from Brazos, etc.

ANSWER:

If a name provided did not result in a sale, the Defendants currently maintain information regarding the date on which that record was received, the first and last name of the individual, the final sales status, the final enroll date and the ID number of the agent who placed the last call.

IN THE UNITED STATES DISTRICT COURT 1 FOR THE WESTERN DISTRICT OF PENNSYLVANIA 2 : CA No. 04-263 DELAWARE MARKETING PARTNERS, LLC, a Delaware: 3 limited liability company,: : JUDGE MCLAUGHLIN AND 4 Plaintiff : MAGISTRATE JUDGE : SUSAN PARADISE BAXTER 5 v. 6 CREDITRON FINANCIAL SERVICES, INC., a 7 Pennsylvania corporation and, TELATRON MARKETING GROUP, INC., a 8 Pennsylvania corporation, 9 Defendants Deposition of ALFRED D. COVATTO, taken before 10 and by Sonya Hoffman, Notary Public in and for the Commonwealth of Pennsylvania on Tuesday, November 11 14, 2006, commencing at 8:38 a.m., at the offices of Elderkin Martin Kelly & Messina, 150 East Eighth 12 Street, Erie, PA 16501. 13 For the Plaintiff: 14 15 Charles Snyderman, Esquire Charles Snyderman, PA Stoney Batter Office Building 16 5301 Limestone Rd., Suite 214 Wilmington, DE 19808 17 Brett W. Farrar, Esquire 18 Dickie McCamey & Chilcote, P.C. Two PPG Place, Suite 400 19 Pittsburgh, PA 15222 20 For the Defendants: 21 22 Craig A. Markham, Esquire Elderkin Martin Kelly & Messina 150 East Eighth Street 23 Erie, PA 16501 24 Reported by Sonya Hoffman 25 Ferguson & Holdnack Reporting, Inc. **EXHIBIT**

Everything was done through Creditron Financial Services.

- Q. Now, Creditron Financial Services, Inc. had monies coming in from other sources, other than Brazos, correct?
 - A. Uh-huh.
 - Q. Yes?
 - A. Yes.
- Q. And, certainly, after the agreement with Delaware Marketing was signed, you knew that there was an obligation on the part of Telatron, the Telatron Group, to pay something to Delaware Marketing for its services.
 - A. Yes.
 - Q. And the agreement said it would be 28.57 percent.
- A. But we didn't pay the 28.57 percent because we didn't get -- they didn't provide the services properly, so we didn't do that.
 - Q. And that was your decision.
 - A. That's right.
- Q. And when was the first time, or the earliest date, that you became aware that Delaware Marketing was not providing the services that you were expecting from them?
 - A. In March.
 - O. March of 2003?
 - A. That's right.
 - Q. All right. What was the date in March of 2003?
 - A. I don't know.

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was the reason -- to be fair, are you telling me that she said the reason we're not sending you money, even though we just got money from Brazos, is because we have problems with the program?

- Α. Yes.
- All right. Before I ask the next follow-up Q. question to that, I want to switch gears for a second.
 - Okay. Α.
- Whose idea was it that Brazos would send a 100 Q. percent of the wire to Creditron Financial Services as opposed to 28.57 percent to Delaware Marketing and the rest to you?
- Normal business practice. We hired them. Α. they did what they were going to do and we did what we were going to do, they would get 28.57 of the gross. But on the direct mail campaign alone, they were short about 1.5 million.
- Hang on, please, unless you need to explain your 0. I don't want to cut you short. I want to give you a chance to answer something if you were going to keep talking.

Do you want to take a short break? MR. MARKHAM:

THE WITNESS: Yes.

MR. SNYDERMAN: Sure.

(Recess taken from 9:58 a.m. to 10:14 a.m.)

- A. We would what?
- Q. If you had received all of the money that was forecasted in terms of what to expect from Brazos -- in other words, if gross revenues were significantly higher than what actually happened --
 - A. We wouldn't be sitting here.
- Q. Right. And Delaware Marketing would have received from you 28.57 percent of the gross revenues?
 - A. We would have paid a commission of 28.57.
 - Q. And would have paid all the approved expenses.
 - A. All the approved expenses.
- Q. Okay. But because the results were lower than was forecasted, you feel -- felt at the time, and feel now, that you're not obligated to pay 28.57 percent of all gross revenue and approved expenses, right?
 - (A.) That is true.
- Q. Okay. Do you feel that the agreement that you drafted provides for you not having to pay the 28.57 percent and your share of approved expenses if the results are less than expected?

MR. MARKHAM: Objection, calls for legal conclusion. You can answer, if you can.

- A. Would you repeat the question, please.
- Q. Sure. Did you feel, and do you feel now, that the agreement that you drafted gave you the right to not pay the

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                     UNITED STATES DISTRICT COURT
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               FOR THE WESTERN DISTRICT OF PENNSYLVANIA
2
     DELAWARE MARKETING
     PARTNERS, LLC, a Delaware :
3
     limited liability company,:
          Plaintiff
4
                                : C. A. No.: 04-263-Erie
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               v.
     CREDITRON FINANCIAL
6
     SERVICES, INC., a
     Pennsylvania corporation, :
     TELATRON MARKETING
     GROUP, INC., a
8
     Pennsylvania corporation, : TRIAL BY JURY
          Defendants
9
                               : DEMANDED
10
11
               Deposition of ALAN ESTES, taken before
12
          and by Sonya Hoffman, Notary Public in and for the
          Commonwealth of Pennsylvania on Thursday, May 18,
13
          2006, commencing at 1:15 p.m., at the offices of
          Elderkin Martin Kelly & Messina, 150 East Eighth
14
          Street, Erie, PA 16501.
15
16
     For the Plaintiff:
17
          Brett W. Farrar, Esquire
18
          Dickie McCamey & Chilcote, P.C.
          Two PPG Place, Suite 400
19
          Pittsburgh, PA 15222
20
     For the Defendant:
21
          Craig A. Markham, Esquire
22
          Elderkin Martin Kelly & Messina
          150 East Eighth Street
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          Erie, PA 16501
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                      Reported by Sonya Hoffman
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                 Ferguson & Holdnack Reporting, Inc.
                                    EXHIBIT
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- 1 A. The phone number requirement wasn't -- you
- 2 obviously don't need that if you want to mail them.
- Q. Would there be any other differences between the
- 4 two lists?
- 5 A. Not that I can recall.
- Q. Were you involved in preparing projections on
- 7 likely results of the mailings?
- 8 A. Yes.
- 9 Q. What was your involvement in that?
- 10 A. Communicating to Telatron what we expected the
- 11 call -- the call volumes and the program -- the program
- 12 results might have looked like.
- Q. And had you calculated or come up with the
- 14 projections?
- 15 A. Based on our experience and financial services
- 16 marketing and direction from the agency about their
- 17 experience with the product and direct mail.
- Q. What agency was that?
- 19 A. Creative Solutions.
- Q. Let me show you what we marked previously as
- 21 Exhibit No. 2. Have you seen this before?
- A. It appears it's an e-mail that I drafted.
- Q. And it's address to Terry Smith at Telatron.
- 24 A. Yes.
- Q. Would it have been sent the date indicated here,

- 1 January 7, 2003?
- 2 A. Yes.
- Q. And you started off by saying, "Here's how we see
- 4 the mail campaign shaking out." Does this table provide us
- 5 with your projection on what the results would likely be?
- A. From the direct mail perspective?
- 7 Q. Right.
- 8 A. Right. So I think we were -- yes.
- 9 Q. So you had anticipated, in this chart anyway, a
- 10 response rate of 1.33 percent.
- 11 A. Right.
- Q. What did you characterize or define as a response?
- 13 A. Someone calling in who received the mail piece.
- Q. Okay. In the body of the e-mail, you say the
- 15 response rate could conceivably be as high as 2 percent.
- 16 Where did you get that figure from?
- 17 A. Experience from the agency and our work -- from
- 18 our work in financial services marketing.
- 19 Q. The next thing the table states, "Return," an
- 20 abbreviation for promissory, and, "Note." That's a signed
- 21 note from the consumer; is that correct?
- 22 A. Uh-huh, yes.
- Q. And you have 45 percent. Again, that percentage
- 24 was from the same source as you've identified before.
- 25 A. Correct.

- Q. And then funding, meaning that the loan actually
- 2 funds, the person is qualified and the bank lent the money,
- 3 70 percent, correct?
- 4 A. Correct.
- Q. And then it has a line for, "Average Loan Amount,
- 6 \$65,000." Do you know where that number came from?
- 7 A. From the instruction that we were going to
- 8 coordinate with the credit bureau when we solicited the
- 9 names.
- Q. Mr. Metcalf had indicated, I think, that a part of
- 11 this analysis is missing dealing with unqualified responses.
- 12 A. Correct.
- 13 Q. Is he correct that that aspect or that component
- 14 is not factored in here?
- 15 A. That's correct.
- 16 Q. Do you know why that was?
- 17 A. No -- an oversight.
- 18) Q. He indicated that that could be as high as 20 to
- 19 30 percent. Would you agree with that statement?
- 20 A. Uh-huh, yes.
- Q. After you sent this -- well, strike that. When
- 22 did you recognize that that component had not been factored
- 23 into this projection?
- A. I don't believe I recognized it until today.
- Q. Now, Exhibit No. 3 is a copy of another e-mail

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                       Reported by Sonya Hoffman
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                 Ferguson & Holdnack Reporting, Inc.
                                       EXHIBIT
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- 1 II, Direct Mail, under Subparagraph F, there's a heading of
- 2 Expectations stating about 2 percent response expected,
- 3 should mail out about 4,000 promissory notes. About 1,200
- 4 promissory notes should be returned. About 840 loans should
- 5 be funded. Do you know where that information came from?
- A. I don't recall the specific meeting that was
- 7 referenced or whether I was one of the individuals that
- 8 couldn't attend. It's likely that I did not attend that
- 9 meeting, my daughter had just been born. So I don't know
- 10 what the specific source of these -- it's not my e-mail.
- 11 Q. Okay.
- A. But I'd like to point out one thing about the
- 13 mailings that's referenced that never happened.
- Q. On that date, you mean?
- 15 A. Yeah. This mailing campaign didn't happen. The
- 16 first mailing wasn't until later in 2003.
- 17 O. March.
- A. I don't know that this was March or April -- late
- 19 March or earlier April, I don't know the specific date.
- Q. Would the -- in your view, the expectations change
- 21 from January '03 to March '03?
- A. As I mentioned before, I believe there's a line
- 23 that's missing, which is the qualification.
- Q. What significance does that have to you?
- 25 A. It would reduce the performance, the expectation

- 1 of the campaign. You'd mail out fewer promissory notes
- 2 because you have fewer people that would actually qualify.
- Q. Well, you're assuming that that qualification was
- 4 not applied to these numbers?
- 5 A. Based on my experience, I don't believe it is. I
- 6 don't see it within the document.
- 7 Q. In your experience, it's not likely then that that
- 8 qualification rate was applied, but just not stated to get
- 9 to these numbers.
- 10) A. No. I think it was omitted.
- 11 Q. But is there a standard qualification rate that
- 12 would apply to this type of --
- 13 A. It would be -- 20 to 30 percent would be a
- 14 reasonable expectation given the time frame.
- 15 Q. 20 or 30 percent would qualify or not qualify.
- 16 A. Would qualify.
- Q. Would qualify?
- 18 A. Correct.
- 19 Q. So if that rate was applied to these, we would
- 20 have 20 or 30 percent fewer promissory notes?
- 21) A. No. You'd have significantly fewer promissory
- 22 notes. Only 20 to 30 percent would be qualified of the
- 23 call-in response.
- Q. And even -- you're saying more than 20 to 30 fewer
- 25 promissory notes then?

- 1 A. Yes.
- Q. Do you know what the results of the first mailing
- 3 were in terms of percentage of promissory notes?
- 4 A. I don't know the specifics.
- 5 Q. Do you know if it met expectations?
- A. I believe it was under expectations.
- 7 Q. Do you know how much?
- 8 A. No.
- 9 Q. Do you know why it was under expectations?
- 10 A. No, I do not.
- 11 Q. And we know that the first mailing in March of
- 12 2003 was less than 200,000 pieces.
- 13 A. Correct.
- Q. It was like 129,000 or so, that's my recollection.
- 15 Is that consistent with your recollection 126,000, 129,000?
- 16 A. There were two campaigns. I don't recall the
- 17 specifics, which was the bigger of the two, the first or the
- 18 second, I don't recall.
- 19 Q. Do you recall why for the first one there was not
- 20 200,000 pieces dropped?
- 21 A. I believe it was related to funding of the
- 22 campaign.
- Q. You mean there wasn't enough money?
- A. Yeah. It wasn't agreed upon to fund that large of
- 25 a campaign.